From: Jim H [mailto:juhclu@yahoo.com]
Sent: Friday, July 03, 2009 4:05 PM
To: Walker, Margie
Subject: Re: Presenting at Tax Commission meeting

Chairman Parsky:

At the request of Margie Walker, this correspondence serves as a cover letter for the two pieces we submitted to her. The 1997-98 Federal Tax Relief Act increased personal capital gain exemption when selling a home from \$125,000 to \$250,000 per person. This stimulated sales and increased property taxes nationally and here in California. Our two pieces give a history of just why the capital gain should be eliminated (Federal and State) to stimulate a structural increase in property taxes. We submitted proposed legislation to the Senior Senate via Anne Mack, an appointed Senior Senator. In addition, Assemblyman Joe Coto has submitted our recommendations to a State California Analyst.

Our blog has more information to support our opinion: http://jameshall.wordpress.com/. There are close to 2 million homes owned by people over 60 here in California. We are prepared to spend 3 minutes or less at the July 16th meeting in San Francisco.

Regards,

James Hall
http://jameshall.wordpress.com/

BACKGROUND INFORMATION

The Background Information Form must be attached to your proposal.

Purpose of the Proposal (Problem or deficiency in existing law)

- To increase Property Tax revenue without increasing taxes nor messing with Prop 13.
- Free-up dead capital for seniors and increase their mobility.

Studies, Reports, Statistics and Facts (list all documented sources supporting your conclusion that there is a problem in existing law. Be specific and attach major sources)

Studies – Sales of homes in the greater Boston area.
The most detailed analysis of the 1997 Tax Relief Act that increased Capital Gain exemption from $125,000 per person to $250,000 when selling the family residence was done by Hui Shan, now a Federal Reserve Economist. She concluded that among homes appreciating less than $500,000, the change caused a 17% increase in sales in the decade after 1997. Sales declined over $500,000. She did her analysis while at MIT. She can be reached at Hui.Shan@frb.gov. She wants to do California research. To date, she has been unable to find a data research group.

Legislative History (what prior legislation has addressed this problem and what is the status of that legislation, i.e., Bill Number and Author, date of introduction, final action)

The 1997 Federal Tax Relief Act (TRA9, Public Law 105-34, authored by Ohio Assemblyman John Kasich and modified in Nov. 2007 by Ohio Congressperson Stephanie Tub Jones) failed to recognize the different impact the 'Step-Up-Basis' has between a community property state and separate property state where only one-half the family assets get the 'Step-Up-at-the-First-Death'. If the surviving spouse sells the residence within two years of the death of the other spouse (and the two year ownership and use tests were met), up to $500,000 gain is excluded.

Fiscal Impact:
How is the existing program or service currently funded and at what level?
How will proposed changes be funded and from what funding source?
How much money is required to accomplish the proposed solution?
Can the solution be accomplished over more than one Fiscal Year?

What State Agencies or Departments will be affected by the proposed solution?
The Franchise Tax Board will lose capital gains revenue from sales of homes over the $250,000 per person exemption. The Federal Tax Law, 'Step-Up-Basis-at-First-Death' is restricting capital gain revenue today. The potential revenue losses by these two pieces of legislation, plus Prop 13, would be partially offset by the increases from new buyer's increasing the property taxes. Prop 1A and 1B is an effort to overcome the above tax revenue restrictions.

What interest group(s) are affected by the proposed solution?

1. Education
2. Seniors
3. Baby boomers approaching retirement (Age 65)

Please help with additions and subtractions.

Who is in support?

1. Any person or groups involved with education.
2. Seniors that may have lost in their retirement accounts.
3. Those approaching retirement (Age 65) that have taken a big hit in their retirement account.

Who is in opposition?
The IRS losing out on capital gains over the $250,000 per person capital gain exemption when selling the family home. Currently, they are paying out billions to stimulate the economy. Our recommendation is to use the private sector to stimulate high-end real estate sales to increase property tax revenue.

The Howard Jarvis organization should have no problem if the focus is on capital gains and allowing seniors to move to a lower value designation with no increase in Prop 13 taxes.

This is a non-partisan issue.

State of California

California Senior Legislature

PR0POSAL INTRODUCTION FORM

FILING DEADLINE June 1, 2009

NAME: Anne M. Mack PHONE: 650-493-7798

Circle One SENIOR ASSEMBLY MEMBER SENIOR SENATE MEMBER
Circle One FEDERAL PROPOSAL STATE PROPOSAL

SUBJECT:
(Short Title): Eliminate Federal and State Capital Gains for Seniors Selling Their Primary Residence

RESUBMISSION of prior-year proposal (attach proposal) Number: ____________

PART 1: Write a brief summary of your proposal. Remember, this will be published.

Seniors over 65 should be allowed to move anywhere in California without paying Increased property tax, as long as they are moving to a less expensive residence. Capital gains taxes should be eliminated for sale of a home by seniors over 65. A broad base stimulus to increase property tax revenue.

PART 2: What statement or statements do you wish to have included in the "Whereas" clauses of your proposal? These statements support your reason for pursuing your idea and generally reflect what you found while doing your research. List your supporting statements below. If you run out of space, feel free to add an extra sheet of paper.

WHEREAS: Homeowners are entitled to a $250,000 per person exemption when they sell their home. However, on sales above that amount, they pay a 15% Federal and 9.3% State rate. Seniors pay it wherever they move, even to assisted living units, where there may be heavy up front fees.

WHEREAS: The death of a spouse also creates a disparity in tax treatment. While an elderly couple pays the full capital gains when they move, a surviving partner pays no capital gains tax on a sale following the death of his or her spouse.

PART 3: What statement or statements do you wish to have included in the "Resolved" clause of your proposal? The resolved clause is a clause or a series of clauses asking the Governor and the Legislature (State Proposals) or, the President and Congress (Federal Proposals), to rectify the problem outlined in your "Whereas" clauses. The more detailed the solution, the better chance you have of successfully seeing your policy objective through the entire legislative process.

RESOLVED: Seniors over 65 should be able to sell their homes free of Federal 15% And State (9-10%) capital gain taxes.

RESOLVED: Seniors over 65 should be allowed to move anywhere in California Without paying increased property taxes, as long as they are moving to a less Expensive residence.

PART 4: If your proposal requires additional funds, cite potential sources and any impact on the state budget. (How much will this cost and how will it be paid for?)

No Funds

PART 5: Please list any co-authors who should be added to your proposal.

Sr. Assembly Members: Sr. Senate Members:

PART 6: An attorney from the Office of the Legislative Counsel may need to call you for further information. At what telephone number and at what times during the day will you be available for consultation, if necessary?

Phone: (650) 493-7798 Hours available: most any time

Phone: cell (408) 398-4706 Hours available: most any time